



HF 135 – Instructional Support Levy (LSB 1098YH)

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Fiscal Note Version – New

Requested by Representative Charles Isenhart

Description

House File 135 permits school districts to maintain instructional support property tax levied against Tax Increment Finance (TIF) district valuation if municipalities with projects within TIF districts do not certify that the funding is required to pay off debt for projects within the TIF.

Background

Property tax amounts required to fund the school district Instructional Support Program are based on a formula that generates an amount required of local tax including income surtax and property tax. The property tax amount required is applied to the assessed valuation (not including the assessed valuation of the increment in a TIF district) within a school district to establish a property tax rate that will generate the required level of funding for the Program.

This Bill requires the assessed valuation of the increment in a TIF district to be added to the calculation of the instructional support property tax rate. If the local municipalities have certified that the funding is required to pay off debt for projects within the TIF, the school district must forward the taxes to the municipality. Adding additional assessed valuation to the Instructional Support Program levy rate calculation will decrease the property tax rate required to generate the property tax amount for the Program.

Assumptions

The number of municipalities that will certify that the instructional support program property tax funding is required to pay off debt for TIF projects is unknown. This fiscal estimate provides a maximum potential impact based on FY 2011 data.

In FY 2011, of the 359 school districts, 266 (74.1%) had TIF districts and 341 (95.0%) participated in the Instructional Support Program. Of those, 255 districts (71.0%) may potentially be impacted by the Bill.

Fiscal Impact

There is no State General Fund impact resulting from **HF 135**. School district Instructional Support Program Levy rates may be lowered as a result of enactment of the Bill. Statewide, the maximum average levy rate reduction (based on \$1,000 of assessed valuation) would be \$0.053 resulting in an overall property tax reduction and TIF project revenue reduction totaling approximately \$6.6 million. The following table provides the estimated maximum fiscal impact and includes the maximum potential property tax reduction amounts by class of property.

Legislative Services Agency: Potential Impact of HF 135 (Instructional Support Levy and Tax Increment Financing)

<u>Property Tax Rate Reduction due to Proposal</u>	<u>Impact of Property Tax Rate Reduction</u>	<u>Residential Portion</u>	<u>Agriculture Portion</u>	<u>Commercial Portion</u>	<u>Industrial Portion</u>	<u>Other Portion</u>
\$ -0.053	\$ -6,591,195	\$ -3,590,424	\$ -472,689	\$ -1,944,308	\$ -228,094	\$ -355,681

School districts may lose funding for the Instructional Support Program if they are required to forward Instructional Support Program property tax dollars to municipalities for TIF project debt. School districts would maintain spending authority on these funds and could recoup them through any available cash reserves.

Sources

Department of Management, School Aid file
LSA calculations and analysis

/s/ Holly M. Lyons

March 16, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.